



**Board of Commissioners of Cook County
Report of the Audit Committee**

Tuesday, July 22, 2014

12:00 PM

**Cook County Building, Board Room, Rm. 569
118 North Clark Street, Chicago, Illinois**

SECTION 1

ATTENDANCE

Present: Chairman Daley, Vice Chairman Goslin, Butler, Gainer, Gorman, Reyes and Schneider (7)

Absent: None (0)

Also Present: Commissioners Garcia, Moore, and Steele, Shelly A. Banks, C.P.A., County Auditor; Ivan Samstein, Chief Financial Officer, Bureau of Finance

PUBLIC TESTIMONY

Chairman Daley asked the Secretary to the Board to call upon the registered public speaker, in accordance with Cook County Code, Sec. 2-107(dd): No registered public speakers were present.

Chairman Daley requested leave for Shelly A. Banks (C.P.A., County Auditor) and Ivan Samstein (Chief Financial Officer, Bureau of Finance) to address the Audit Committee members and leave was granted.

14-2501

Presented by: SHELLY A. BANKS, C.P.A., County Auditor

REPORT

Department: Office of the County Auditor

Request: Refer to Audit Committee

Report Title: Emergency Telephone Systems Board Internal Audit Report

Report Period: For the period ended 11/30/2012

Summary: The purpose of this report was to assess the internal control procedures and the accounting records of the Emergency Telephone Systems Board.

Legislative History: 5/21/14 Board of Commissioners referred to the Audit Committee

A motion was made by Commissioner Goslin, seconded by Commissioner Reyes that this Report be recommended for receiving and filing. The motion carried by the following vote:

Ayes: Chairman Daley, Vice Chairman Goslin, Butler, and Reyes (4)

14-2770

Presented by: SHELLY A. BANKS, C.P.A., County Auditor

REPORT

Department: Office of the County Auditor

Request: Refer to Audit Committee

Report Title: Office of the Public Guardian Case Management System Audit Report

Report Period: For the period ended 4/24/2014

Summary: The purpose of this report was to assess the development, implementation, and internal control procedures of the Public Guardian Case Management System.

Legislative History: 5/21/14 Board of Commissioners referred to the Audit Committee

A motion was made by Commissioner Goslin, seconded by Commissioner Reyes that this Report be recommended for receiving and filing. The motion carried by the following vote:

Ayes: Chairman Daley, Vice Chairman Goslin, Butler, and Reyes (4)

14-3056

Presented by: SHELLY A. BANKS, C.P.A., County Auditor

REPORT

Department: Office of the County Auditor

Request: Refer to Audit Committee

Report Title: Motor Vehicle Fuel Cards Audit Report

Report Period: For the period ending 11/30/2013

Summary: The purpose of the audit was to assess the internal control procedures as they pertain to Motor Vehicle Fuel Cards.

Legislative History: 5/21/14 Board of Commissioners referred to the Audit Committee

A motion was made by Commissioner Goslin, seconded by Commissioner Reyes that this Report be recommended for receiving and filing. The motion carried by the following vote:

Ayes: Chairman Daley, Vice Chairman Goslin, Butler, and Reyes (4)

14-3072

Presented by: SHELLY A. BANKS, C.P.A., County Auditor

REPORT

Department: Office of the County Auditor

Request: Refer to Audit Committee

Report Title: 69 West Washington Management Company, L.L.C.

Report Period: 12/1/2012 - 11/30/2013

Summary: The purpose of the audit was to evaluate the 69 West Washington Management Company, L.L.C. compliance with certain terms of the Management Agreement.

Legislative History: 5/21/14 Board of Commissioners referred to the Audit Committee

A motion was made by Commissioner Goslin, seconded by Commissioner Reyes that this Report be recommended for receiving and filing. The motion carried by the following vote:

Ayes: Chairman Daley, Vice Chairman Goslin, Butler, and Reyes (4)

14-3523

Presented by: DOROTHY BROWN, Clerk of the Circuit Court

REPORT

Department: Clerk of the Circuit Court

Request: Transmitting a Communication

Report Title: Independent Auditor's Report of the Financial Statements of the Clerk of the Circuit Court of Cook County

Report Period: For the Fiscal Year That Ended 11/30/2013

Summary: submitting herewith is the Independent Auditor's Report of the Financial Statements of the Office of the Clerk of the Circuit Court of Cook County for the year that ended 11/30/2013.

Legislative History: 6/18/14 Board of Commissioners referred to the Audit Committee

A motion was made by Commissioner Goslin, seconded by Commissioner Reyes that this Report be recommended for receiving and filing. The motion carried by the following vote:

Ayes: Chairman Daley, Vice Chairman Goslin, Butler, and Reyes (4)

14-3674

Presented by: MARIA PAPPAS, Cook County Treasurer

REPORT

Department: Treasurer

Request: Refer to Audit Committee

Report Title: Independent Auditor's Report

Report Period: 11/30/2013 and 2012

Summary: Submitting herewith, the Independent Auditor's Report of the Financial Statements of the Cook County Treasurer's Office as of 11/30/2013 and 2012.

Legislative History: 6/18/14 Board of Commissioners referred to the Audit Committee

A motion was made by Commissioner Goslin, seconded by Commissioner Reyes that this Report be recommended for receiving and filing. The motion carried by the following vote:

Ayes: Chairman Daley, Vice Chairman Goslin, Butler, and Reyes (4)

14-3701

Presented by: IVAN SAMSTEIN, Chief Financial Officer, Bureau of Finance; LAWRENCE WILSON, County Comptroller

REPORT

Department: Bureau of Finance, Office of the County Comptroller

Request: Refer to Audit Committee

Report Title: Cook County Comprehensive Financial Report (CAFR) for the year ended 11/30/2013

Report Period: 12/1/2012 - 11/30/2013

Summary: Annual audit of Cook County's financial statements prepared by the Office of the Cook County Comptroller and audited by McGladrey LLP in accordance with accounting principles generally accepted in the USA.

Legislative History: 6/18/14 Board of Commissioners referred to the Audit Committee

A motion was made by Commissioner Goslin, seconded by Commissioner Reyes that this Report be recommended for receiving and filing. The motion carried by the following vote:

Ayes: Chairman Daley, Vice Chairman Goslin, Butler, and Reyes (4)

14-3702

Presented by: IVAN SAMSTEIN, Chief Financial Officer, Bureau of Finance; LAWRENCE WILSON, County Comptroller

REPORT

Department: Bureau of Finance, Office of the County Comptroller

Request: Refer to Audit Committee

Report Title: Cook County Illinois Report to the County President, Board of Commissioners and the Audit Committee, 5/30/2014

Report Period: 12/1/2012 - 11/30/2013

Summary: This report, presented by McGladrey LLP, is intended solely for the County President, Board of Commissioners and the Audit Committee and summarizes certain matters required by professional standards to be communicated to them in their oversight responsibility for the County's financial reporting process.

Legislative History: 6/18/14 Board of Commissioners referred to the Audit Committee

A motion was made by Commissioner Goslin, seconded by Commissioner Reyes that this Report be recommended for receiving and filing. The motion carried by the following vote:

Ayes: Chairman Daley, Vice Chairman Goslin, Butler, and Reyes (4)

14-3703

Presented by: IVAN SAMSTEIN, Chief Financial Officer, Bureau of Finance; LAWRENCE WILSON, County Comptroller

REPORT

Department: Bureau of Finance, Office of the County Comptroller

Request: Refer to Audit Committee

Report Title: Cook County Illinois Report on Federal Awards (In accordance with the Single Audit Act Amendments of 1996, and Office of Management and Budget (OMB) Circular A-133) for the Fiscal Year ended 11/30/2013

Report Period: 12/1/2012 - 11/30/2013

Summary: Annual audit, performed by Washington, Pittman & McKeever, LLC, designed to meet the needs of all federal grantor agencies is performed in accordance with the Single Audit Act of 1994, as amended in 1996, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Legislative History: 6/18/14 Board of Commissioners referred to the Audit Committee

A motion was made by Commissioner Goslin, seconded by Commissioner Reyes that this Report be recommended for receiving and filing. The motion carried by the following vote:

Ayes: Chairman Daley, Vice Chairman Goslin, Butler, and Reyes (4)

14-3704

Presented by: IVAN SAMSTEIN, Chief Financial Officer, Bureau of Finance; LAWRENCE WILSON, County Comptroller

REPORT

Department: Bureau of Finance, Office of the County Comptroller

Request: Refer to Audit Committee

Report Title: Cook County Health and Hospitals System of Illinois (An Enterprise Fund of Cook County Illinois), Financial Report, 11/30/2013

Report Period: 12/1/2012 - 11/30/2013

Summary: This is the annual audit of CCHHS, for the year ended 11/30/2013, performed by McGladrey LLP in accordance with accounting principles generally accepted in the USA.

Legislative History: 6/18/14 Board of Commissioners referred to the Audit Committee

A motion was made by Commissioner Goslin, seconded by Commissioner Reyes that this Report be recommended for receiving and filing. The motion carried by the following vote:

Ayes: Chairman Daley, Vice Chairman Goslin, Butler, and Reyes (4)

14-3705

Presented by: IVAN SAMSTEIN, Chief Financial Officer, Bureau of Finance; LAWRENCE WILSON, County Comptroller

REPORT

Department: Bureau of Finance, Office of the County Comptroller

Request: Refer to Audit Committee

Report Title: Cook County Health and Hospitals System Report to the Audit and Compliance Committee, 5/30/2014

Report Period: 12/1/2012 - 11/30/2013

Summary: This report, presented by McGladrey LLP, is intended solely for the CCHHS Audit and Compliance Committee and summarizes certain matters required by professional standards to be communicated to them in their oversight responsibility for the CCHHS's financial reporting process.

Legislative History: 6/18/14 Board of Commissioners referred to the Audit Committee

A motion was made by Commissioner Goslin, seconded by Commissioner Reyes that this Report be recommended for receiving and filing. The motion carried by the following vote:

Ayes: Chairman Daley, Vice Chairman Goslin, Butler, and Reyes (4)

14-3706

Presented by: IVAN SAMSTEIN, Chief Financial Officer, Bureau of Finance; LAWRENCE WILSON, County Comptroller

REPORT

Department: Bureau of Finance, Office of the County Comptroller

Request: Refer to Audit Committee

Report Title: Cook County Illinois Actuarial Study of the Workers Compensation and Liability Self-Insured Programs as of 11/30/2013

Report Period: As of 11/30/2013

Summary: Annual Actuarial Study completed by Aon Global Risk Consulting.

Legislative History: 6/18/14 Board of Commissioners referred to the Audit Committee

A motion was made by Commissioner Goslin, seconded by Commissioner Reyes that this Report be recommended for receiving and filing. The motion carried by the following vote:

Ayes: Chairman Daley, Vice Chairman Goslin, Butler, and Reyes (4)

Chairman Daley entered into the record a letter dated July 16, 2014 from Lawrence L. Wilson, Comptroller and a letter dated July 22, 2014 from the Chairman of the Audit Committee.

ADJOURNMENT

A motion was made by Commissioner Butler, seconded by Commissioner Reyes, that the meeting be adjourned. The motion carried by the following vote:

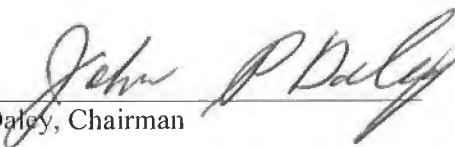
Ayes: Chairman Daley, Vice Chairman Goslin, Butler, and Reyes (4)

SECTION 2

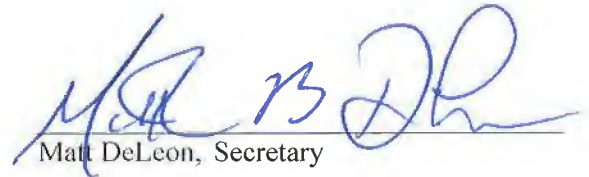
**YOUR COMMITTEE RECOMMENDS THE FOLLOWING ACTION
WITH REGARD TO THE MATTERS NAMED HEREIN:**

File 14-2501	Recommended for Receive and File
File 14-2770	Recommended for Receive and File
File 14-3056	Recommended for Receive and File
File 14-3072	Recommended for Receive and File
File 14-3523	Recommended for Receive and File
File 14-3674	Recommended for Receive and File
File 14-3701	Recommended for Receive and File
File 14-3702	Recommended for Receive and File
File 14-3703	Recommended for Receive and File
File 14-3704	Recommended for Receive and File
File 14-3705	Recommended for Receive and File
File 14-3706	Recommended for Receive and File

Respectfully submitted,



John P. Daley, Chairman



Matt DeLeon, Secretary

*The transcript for this meeting is available in the Office of the Secretary to the Board, 118 North Clark Street, Room 436, Chicago, IL 60602.

*A video recording of this meeting is available at <https://cook-county.legistar.com/Calendar.aspx>



OFFICE OF THE COMPTROLLER
LAWRENCE L. WILSON, CPA

COMPTROLLER

118 North Clark St. Room 500 • Chicago, Illinois 60602 • (312) 603-5601

June 16, 2014

TONI PRECKWINKLE

PRESIDENT

**Cook County Board
of Commissioners**

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ROBERT STEELE
2nd District

JERRY BUTLER
3rd District
STANLEY MOORE
4th District

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11th District

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12th District

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13th District

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14th Districted District

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15th District

JEFFREY R. TOBOLSKI
16th District

ELIZABETH ANN DOODY GORMAN
17th District

The Honorable John P. Daley
Chairman, Audit Committee
Cook County Board of Commissioners
118 N. Clark Street
Chicago, IL 60602

Dear Chairman Daley,

Pursuant to the Audit Committee's request, attached is the annual matrix of our audit findings. The FY-2013 matrix continues to include our corrective actions, when we plan to complete the corrective action plan, and when the finding is eliminated. As noted below, during FY-2013, seven audit findings, including one material weakness, were eliminated. Our strategic plan implemented a number of process improvements that reduced the number of year-end reporting errors and improved quality controls in the areas where the findings are repeated.

	Fiscal Year Findings			
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Total	4	10	11	12
Non-repeated	7	3	3	N/A
New	1	2	0	2
Material Weaknesses	2	3	2	3

The remaining findings will be addressed through implementation of a new financial reporting system (ERP) as well as additional process improvements.

We are continuing to implement corrective actions because the new system will only be as good as the information that goes in it and will depend upon users applying best practices. The most critical corrective action continues to be an updated ERP financial reporting system. The Bureau of Finance is working with the Bureau of Technology to recommend and select a software vendor during this fiscal year. We plan to begin the implementation of such a system during FY-2015. As a result, the four remaining findings have targeted completion dates between FY-2014 to FY-2017, with those that are targeting FY-2017 truly reliant on an updated ERP system. Our goal however, continues to be improving on our systems and processes in advance of the new system implementation and, accordingly, to further reduce findings in coming years.

We appreciate the input of the Board of Commissioners in these initiatives, and look forward to briefing you further in the future. Please contact me directly should you have any questions regarding the Office of the Comptroller's plan to address County audit findings in coming years.

Sincerely,

Lawrence L. Wilson, Comptroller

cc: The Honorable Toni Preckwinkle
Cook County Board of Commissioners

Attachments

FY-2012 and FY-2013 Findings

FY-2013 Findings	Description	Repeat/ New	Status as of June 2014	Plan to Complete	Actual Completion Date
2013 - 1	Financial Accounting and Reporting	Repeat	*Need a new ERP System *Continue to implement best practices to reduce errors and improve quality control. *During FY-13 CO hired a Comptroller, Director of Financial Reporting, and 2 experienced accountants, besides closing earlier to reduce year-end errors.	FY-2017	
2013-02	Workers' Compensation and Other Claims	New	Risk management implemented a corrective action plan during FY-13 and in conjunction with the SAO, expected to eliminate the finding during FY-14	FY-2014	
2013 - 3	Fixed / Capital Assets Accounting	Repeat	*Need ERP System and county-wide uniformity to accurate & timely reporting. * Need to complete the tracking database / repository in JD Edwards to record and report all Capital asset additions and deletions and construction in progress items. * Will continue working with BOT to implement interim improvements.	FY-2017	
2013 - 4	Grant Accounting	Repeat	*Need a new ERP System *Budget and Comptroller offices continue meetings with grant holder departments. *Maintain comprehensive grant manual, budget close out policy and policies and procedures including loan write-offs and allowances for doubtful accounts	FY-2015	

The following 2012 findings did not reoccur in FY 2013:

FY-2012 Finding	Status	Repeat	Description	Plan to Complete	Actual Completion Date
2012 - 3	Corrected	No	Accounts Payable	FY-2016	FY-2013
2012 - 4	Corrected	No	Journal Entries / Inadequate Controls	FY-2014	FY-2013
2012 - 5	Corrected	No	Bank Reconciliations	FY-2014	FY-2013
2012 - 6	Corrected	No	Agency Funds - Public Guardian	FY-2014	FY-2013
2012 - 7	Corrected	No	Lack of Formal written policies/procedures	FY-2014	FY-2013
2012 - 9	Corrected	No	Anti-fraud programs / controls	FY-2013	FY-2013
2012 - 10	Corrected	No	Information Security & Controls	FY-2013	FY-2013

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Chicago, IL 60602
312.603.4400 Office
312.603.6688 Fax
e-mail: john.daley@cookcountyil.gov



JOHN P. DALEY
Chairman
Committee on Finance

**Commissioner – 11th District
Cook County Board of Commissioners**

July 22, 2014

Mr. Ivan Samstein
Chief Financial Officer
118 N. Clark St.
Chicago, IL 60602

Dear Mr. Samstein:

Please provide a written response to be included in the published record of the Audit Committee's July 22, 2014 meeting regarding the four (4) findings and recommendations raised by the Independent Auditors Report to Management, and the CAFR for the year ended Nov. 30, 2013.

Finding 2013-01 states that expenditures within certain Special Purpose Funds are not properly classified and contain insufficient detail. Is providing this detail the responsibility of the using agency, or the Budget Department? Please explain.

Finding 2013-02 describes additional coordination between Risk Management and the State's Attorney's Office to better assess the value of future worker's compensation claims. Are additional fraud prevention measures included in this new method for predicting the cost of future claims?

Finding 2013-03 involves a long standing problem of capital asset tracking and inventory. Will the implementation of a new ERP system solve this repeated problem, and what is the target date for final go-live of the new ERP?

Thank you for your attention to this inquiry.

Sincerely,

A handwritten signature in black ink, reading "John P. Daley", is written over a horizontal line.

Chairman John P. Daley
Audit Committee

JPD/bh

Cc: Shelly Banks, Cook County Auditor



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TONI PRECKWINKLE

PRESIDENT

**Cook County Board
of Commissioners**

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17th District

Bureau of Finance | Office of the Chief Financial Officer

IVAN SAMSTEIN

CHIEF FINANCIAL OFFICER

118 N. CLARK STREET • Chicago, Illinois 60602 • (312) 603-6846

August 14, 2014

Chairman John P. Daley, Chairman of the Audit Committee
Cook County Board of Commissioners
118 N Clark, Suite 567
Chicago, IL 60602

Honorable Chairman John Daley:

Thank you for your letter dated July 22nd. We appreciate the ability to address your specific questions regarding the 2013 Independent Audit; our responses follow:

- 1. Finding 2013-01 states that expenditures within certain Special Purpose Funds are not properly classified and contain insufficient detail. Is providing this detail the responsibility of the using department, or the Budget Department? Please explain.**

Special Purpose Funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes.

The Budget Department assists departments in developing their budget plan and ensuring items are budgeted for in the proper accounts but the department is responsible for the special purpose fund and is responsible for maintaining detailed information on transactions throughout the year.

Each department/agency that has a special purpose fund is responsible for ensuring that:

- Expenditures in these funds meet the Fund's purpose restrictions;
- They maintain sufficient detail supporting any transactions that take place in that fund and to ensure proper accounting treatment and record keeping. The Budget Department may request detailed transactional information on an as needed basis.
- The Comptroller's Office will assist the using agencies / Budget on the proper accounting treatment for financial reporting purposes.

Please note that Commissioner Fritchey recently introduced a resolution related to this finding. We will be working with him and the rest of Board regarding the best way to identify and record the information that would address the finding.

- 2. Finding 2013-02 describes additional coordination between Risk Management and the State's Attorney's Office to better assess the value of future Workers Compensation claims. Are additional fraud prevention measures included in this new method for predicting the cost of future claims?**

The issues highlighted in this finding were first identified by Risk Management. By the close of FY-2013, and as reflected in the Management Response, Risk Management had already taken steps to mitigate the effects of this self-reported issue.

These steps include:

- Comprehensive and systematic review of all cases including determination of case status (open or closed);
- Assignment of a Risk Management Adjuster ("Adjuster") to monitor and manage cases with the State's Attorney's Office;
- A record of all workers compensation claims are now maintained in Risk Management Department's electronic claims system; and
- Risk Management and the State's Attorney's Office are engaged in on-going efforts to review outstanding claims and establish appropriate indemnity and medical reserves.

As the claims are managed, any indication of fraudulent activity is appropriately documented in the claim file which is shared between the Adjuster and assigned Assistant State's Attorney. Response to fraud is also included in the Workers Compensation Policies and Procedures Manual, first prepared by Risk Management in October 2013. This document is in the process of being updated to include additional process and documentation requirements between Risk Management and the State's Attorney's Office. In 2015, an integrated Risk Management Information System will allow both Risk Management and the State's Attorney's Office to review claims for trends and other additional analysis that will further our efforts in regards to continued fraud prevention measures.

3. Finding 2013-03 involves a long standing problem of capital asset tracking and inventory. Will the implementation of a new ERP system solve this repeated problem, and what is the target date for final go-live of the new ERP?

Yes, implementation of a new ERP system, along with process improvements including County-wide uniformity and physical inventory surveys, will establish an efficient and fully functioning capital asset accounting, inventory and reporting process that will solve the capital asset tracking and inventory finding. We plan to implement initial modules of a new ERP system during fiscal year 2017; however we will also be working to address some of the process improvements in advance of that date. We do not anticipate that a new ERP system will in of itself solve this repeat finding, however we will be working on process improvements to ensure that when the Capital Assets Module of a new ERP system is rolled out that the finding is addressed and removed .

As a further response to your question regarding our response to the findings identified by the independent auditor, please find a matrix of findings related to the 2012 findings that were removed and our targeted plan to remove and address the four remaining findings through a multi-year plan. Please contact myself or Lawrence Wilson should you require any additional information on any of these matters.

Sincerely,



Ivan Samstein
Chief Financial Officer

cc: Cook County Board of Commissioners
Kimberly Foxx, Chief of Staff
Patrick Carey, Special Assistant – Legislative and Governmental Affairs
Lawrence Wilson, Comptroller